

Chapter 50 – Cost Allocation and Indirect Costs

50.40 Cash Management Improvement Act

50.40.10	Purpose of the Cash Management Improvement Act	Sept. 1, 2004
50.40.20	The Treasury-State Agreement (TSA) defines the drawdown methods to be used by agencies	Sept. 1, 2004
50.40.30	Federal assistance programs and State agencies subject to the CMIA	Sept. 1, 2004
50.40.40	Responsibilities of the Office of the State Treasurer	Sept. 1, 2004
50.40.50	Responsibilities of agencies that administer CMIA programs	Sept. 1, 2004
50.40.60	How to calculate interest owing or due	Sept. 1, 2004
50.40.70	Interest calculation costs of implementing the TSA are reimbursable	Sept. 1, 2004
50.40.80	Responsibilities of agencies receiving federal funds designated as non-major programs	Sept. 1, 2004
50.40.90	Additional information	Sept. 1, 2004

50.40

Cash Management Improvement Act

50.40.10 Purpose of the Cash Management Improvement Act

The Cash Management Improvement Act of 1990 (CMIA) was enacted by Public Law 101-453, 31 U.S.C. 3335 and 6503. The implementing regulations are in 31 CFR Part 205. The purpose of CMIA is to ensure efficiency, effectiveness, and equity in the exchange of funds between the states and the federal government for federal assistance programs. The general provisions of the Act are:

1. Federal agencies Federal agencies must make timely fund transfers and grant awards to state agencies.
2. State agencies must minimize the time between the deposit of federal funds in the state's account and the disbursement of funds for program purposes.
3. With some exceptions, the state is entitled to interest from the federal government from the time the state's warrants are redeemed until federal funds are deposited in the state's account.
4. The federal government is entitled to interest from the state from the time federal funds are deposited in the state's account until the state warrants are redeemed.
5. The state must enter into a Treasury-State Agreement (TSA) with the U.S. Department of the Treasury, Financial Management Service (FMS) to set forth terms and conditions for implementing CMIA.

50.40.20 The Treasury-State Agreement (TSA) defines the drawdown methods to be used by agencies

The Office of the State Treasurer, with the assistance of all affected state agencies, negotiates the TSA with FMS. (See State Treasurer website.)

The TSA outlines, by program, the funding technique and the clearance pattern the state will use to draw down funds from the federal government.

Generally, conformance with the TSA assures that the state does not owe the federal government, or is not due from the federal government, interest liability on its drawdowns.

Amendments to the TSA may be proposed by either the state or the federal government at any time during the duration of the contract.

50.40.30 Federal assistance programs and State agencies subject to the CMIA

All programs listed in the Catalog of Federal Domestic Assistance (CFDA) are subject to CMIA regulations. During Fiscal Year 2004, programs with \$11,450,000 or more in federal expenditures, as determined from the state's most recent Schedule of Expenditures of Financial Awards (SEFA), are considered Major federal programs and are required to be included in the TSA (CMIA agreement). The list of major federal programs covered in the TSA is revised annually, as both the Major program threshold and program expenditures change based upon the new SEFA data.

Federal programs which have annual SEFA expenditures less than the threshold amount calculated in the TSA are considered Non-Major federal programs. Non-Major programs are not included in the TSA; however, it is expected that the coordination of federal program receipts will minimize the time between receipts and corresponding expenditures.

50.40.40 Responsibilities of the Office of the State Treasurer

The responsibilities of the Office of the State Treasurer are to:

1. Annually identify federal assistance programs that will be considered as Major federal programs and notify affected state agencies. Prepare the TSA identifying components, drawdown techniques, and clearance patterns of Major federal programs with assistance from the affected state agencies.
2. Recertify the accuracy of clearance patterns at least every five years. Monitor and certify that clearance patterns accurately reflect a program's clearance activities.
3. Calculate and process the payment of state interest liability and/or receipt of federal interest liability.

4. Monitor agency's compliance with drawdown techniques as defined in the TSA. This is achieved through monthly review of program cash balances through the EAP2 report, quarterly sampling of major programs, periodic sampling of non-major programs, and direct and frequent communications with agencies.
5. Work with Agencies and FMS to coordinate CMIA compliance.
6. Distribute TSA to participants and communicate Annual Report results with State Agencies.

50.40.50 Responsibilities of agencies that administer major federal programs

The responsibilities of the state agencies that administer Major federal programs are:

1. Request federal funds in accordance with the approved funding technique described in the TSA, combined with amounts needed for immediate payments.
2. Maintain information on disbursements and receipts of funds to verify the implementation of any funding technique and exceptions and/or refunds.

For each disbursement, the agency shall be able to identify:

- Amount of the federal program disbursement
- Date of disbursement (check date)
- Date funds were requested
- Amount and date (bank validation) Federal funds are received and credited to a State account.

When federal funds are not available per the TSA, maintain documentation of the amount of state funds expended, the dates of these expenditures, the date federal funds were requested, and the date federal funds were received. Maintain this documentation for use in calculating federal interest liability on late federal funds.

In most cases, the state cannot calculate a federal interest liability unless the state has made a request through a federal draw system and had it rejected, or has notified the applicable federal agency that federal funds

are not available per the TSA. For the federal draw systems that reject requests when federal funds are not available in the system, make the request and print the rejection notice as evidence of the State's conformance with the TSA. If necessary, make appropriate phone calls to federal agencies to notify them that federal funds are not available per the TSA. Document efforts made to request federal funds per the TSA.

3. Notify the Office of the State Treasurer of significant program changes, such as new programs, grant discontinuance, or changes to funding techniques. A State agency shall not make a change until it is reviewed and approved by the Office of the State Treasurer and FMS.
4. Certify to the Office of the State Treasurer:
 - Receipt, understanding of, and agreement to abide by the terms of the TSA; and,
 - Compliance with CMIA through conformance with the drawdown methods described in the TSA. Certify details of exceptions and refunds to assist in the liability calculations performed by the Office of the State Treasurer (*October of each year*).
5. Assist the State Treasurer's Office in the calculation of interest liabilities to or from the federal government for the Annual Report.

50.40.60

How to calculate interest owing or due

With the assistance of State agencies, the State Treasurer's Office will calculate interest owed or due the federal government where applicable. The interest rate to be used is the annualized rate equal to the average equivalent yield of 13-week Treasury Bills auctioned during the state's fiscal year. The interest rate is provided to the state by FMS. Agencies should ensure that information to be used for interest calculations is auditable and accurate.

50.40.70**Interest calculation costs of implementing the TSA are reimbursable**

The Treasurer's interest calculation costs related to implementing the TSA are reimbursable by the federal government and are claimed on the Annual Report of interest liabilities that is submitted by the Treasurer's Office to FMS in December each year. Interest calculation costs are those costs an entity incurs in performing the actual calculation of interest liabilities, including those costs incurred in developing and maintaining clearance patterns in support of interest calculations. Costs associated with expenses for normal disbursing services, such as processing checks or maintaining records for accounting and reconciliation of cash accounts, or expenses for upgrading or modernizing accounting systems are not reimbursable. The State Treasurer must maintain documentation to substantiate claims for interest calculation costs. Interest calculation costs in excess of \$50,000 are not eligible for reimbursement, unless the State can justify that without incurring such costs, it would not be able to develop clearance patterns or calculate interest.

50.40.80**Responsibilities of agencies receiving federal funds designated as non-major programs**

The principal responsibilities of State agencies receiving federal funds for programs designated as non-major federal programs are:

1. Coordinate drawdown schedule of federal funds with the State Treasurer's Office to draw federal funds as close as is administratively feasible to actual disbursements. In most cases, it is expected that the drawdown of federal funds will occur prior to the corresponding disbursements. The State's '7-day rule' stipulates that federal funds shall be no greater than needed to cover 7 business days of related expenses.
2. Agencies should ensure that program receipts and expenditures are auditable.

The State of Maine, Office of the State Treasurer provides agencies administering both Major and Non-Major federal programs with guidance for complying with the Cash Management Improvement Act. The CMIA coordinator may be reached at the Treasurer's office at 624-7477.

Each year, the Treasurer's office creates a "Supplemental Guide to the TSA" that can be used as a tool to interpret the details of the Treasury-State Agreement. Treasury also provides useful tips on how to comply with the 3 day rule, along with other details involving Non-Major programs.

Visit the State of Maine CMIA section of the State Treasurer's website for these documents and other helpful tools and information.